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ANNUAL REPORT  
OF THE PRESIDENT  
TO THE SHAREHOLDERS OF THE  
CHEMICAL NATIONAL BANK  
OF NEW YORK

JANUARY 9, 1923

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## THE DIRECTORS

FREDERIC W. STEVENS

W. EMLEN ROOSEVELT

ROBERT WALTON GOELET

DARWIN P. KINGSLEY

CHARLES CHENEY

WILLIAM FELLOWES MORGAN

ARTHUR ISELIN

GARRARD COMLY

HENRY A. CAESAR

FREDERIC A. JUILLIARD

RIDLEY WATTS

CHARLES A. CORLISS

HERBERT K. TWITCHELL

PERCY H. JOHNSTON

EDWIN S. SCHENCK



CONDENSED STATEMENT OF THE  
CONDITION OF THE  
CHEMICAL NATIONAL BANK  
OF NEW YORK  
AT THE CLOSE OF BUSINESS  
DEC. 30, 1922

*ASSETS*

Loans and Discounts	-	-	-	\$ 89,154,876.96
U. S. Bonds and Certificates	-	-	-	17,117,450.00
Other bonds and Investments	-	-		7,172,872.02
Banking House	-	-	-	1,500,000.00
Customers' Liability account of Acceptances				6,628,649.20
Cash, due from Banks and U. S. Treasurer				39,879,944.78
Interest earned	-	-	-	417,156.31
				<u>\$161,870,949.27</u>

*LIABILITIES*

Capital Stock	-	-	\$ 4,500,000.00	
Surplus	-	-	13,500,000.00	
Undivided Profits	-		2,611,596.62	
Reserved for Taxes, etc.			<u>644,277.80</u>	21,255,874.42
Unearned Interest	-	-	-	454,798.65
Circulation	-	-	-	360,816.50
Acceptances and Travelers' Checks			-	7,164,546.82
Deposits, viz.:				
Individuals	-		\$98,252,295.94	
Banks	-	-	31,765,366.94	
United States	-		<u>2,617,250.00</u>	132,634,912.88
				<u>\$161,870,949.27</u>





## THE PRESIDENT'S REPORT

*To the Shareholders of the*

*Chemical National Bank of New York:*

It is my privilege to present you a report upon the progress of this Bank during the year which has just closed. It seems proper, before I tell the story of our own Bank, to make some general observations on current economic and business conditions. The business of this Bank covers so wide a field that all considerations affecting the industries of the country are of the greatest importance to us.

### THE PRESENT TREND OF BUSINESS

An analysis of the present situation reveals indications that business has entered a period of increased activity and that an appreciation of values in the commodity markets is under way. The fact that confidence in future values has been largely restored is evidenced

by the pronounced rise in the price level which has occurred in the past few months, in contrast to a continued decline during the preceding year and a half. While difficulties in handling the increased freight traffic by the transportation system have become an important factor in the current industrial situation, yet the railroads are dealing efficiently with the problem and it is not thought that the ill-effects of congestion will be more than transitory. More serious is the possible shortage of labor and a resultant rise in the wage scale. It is of significance that in England, with whose products we must compete in the markets of the world, no correspondingly definite rise in commodity prices has yet occurred and instead of an increase in the wage scale, recent reductions have been reported. In fact there is in England considerable unemployment.

Of the forces at work tending to bring about an increased volume of business and higher prices the most important is the enormous supply of credit available for industry and commerce, due primarily to an unprecedented amount of gold at present in the country. The increased cost of production of articles of manufacture, due to a higher wage scale and the enhanced value of

raw materials, tends to raise the price of the finished product. Other forces which will tend to effect a rise in commodity values are the increased purchasing power of the wage-earner; the recent tariff law, which increases the price of importations of both raw materials and manufactured products; and finally the speculation which invariably accompanies easy money conditions and a rising commodity market. Increased volume of trading will be accentuated both by the fact that inventories have been well liquidated, and that the ultimate consumer who has deliberately, during the period of falling prices, postponed purchases not of an absolutely necessary nature, will immediately supply his accumulated needs when he is convinced that the market is rising.

Although it is beyond the ability of any man to forecast what the year 1923 holds in store, yet it is our conclusion that American business has definitely emerged from a state of Depression and has progressed into a constructive period of Recovery.

During the past summer your President, accompanied by the Vice-President in charge of the Foreign Department, made an extended tour of Great Britain and the principal European countries. Opportunity was afforded

to interview and to confer with the leading bankers and business men of the various countries visited and it is upon those personal observations that the following suggestions are based. It is futile for us to look for the return of full prosperity in America until the re-establishment of war-torn Europe on a sound economic basis. America cannot have continued prosperity while Europe is at the same time prostrate. The question of an economic readjustment cannot and will not take place until the matter of reparations is definitely concluded and its faithful performance is undertaken in the right spirit. This is Europe's job and must be solved by Europe before the rest of the world can sit at the council table and work out a general plan for stabilization and the re-establishment of sound commercial intercourse between nations.

#### PROGRESS OF THE CHEMICAL BANK

I submit to you condensed statement showing the condition of your Bank at the close of business December 30, 1922.

The general strain and readjustment experienced in 1921 was greatly lessened in 1922 although large prob-

lems resulting from the period of great inflation were still to be encountered during the year just closed. Due to marked improvement in the general business and financial situation large banks as a rule have experienced a healthy thawing out of their frozen loans.

Your Bank as well as all other important banking institutions has experienced much lower rates for funds during 1922 than in the past three or four years and in consequence the net earnings have been materially affected. One of the chief problems has been how to keep the surplus funds safely and profitably employed and during this year we have added largely to our holdings of government securities and high-grade short time securities of well-known and well-seasoned corporations.

Your Bank is being steadily and conservatively developed in all departments.

The Trust Department is now equipped to act as fiduciary in both personal and corporate trusts. It is now acting as executor and trustee in many important instances. It is also acting in the following capacities—transfer agent; registrar; corporate trustee; coupon paying agent, etc.

The Bond Department, while conducted on lines of

service to our customers, shows in its operation for the past year a very substantial net profit. A large number of our customers take full advantage of this service, which can be of great assistance in selecting conservative investments and reviewing securities already owned.

For the benefit of our clients having business or other interests in countries outside of the United States, the Bank maintains a thoroughly equipped Foreign Department where a large volume of business is conducted. Travelers' needs are provided for by the sale of Travelers' Checks and Letters of Credit, as well as foreign currencies. Importers are provided with Commercial Letters of Credit and checks and cable transfers on all parts of the world, while exporters are provided with credits and facilities for negotiating and collecting their bills of exchange. This department has proved very profitable and returns a substantial rate of income on the capital invested.

It is the judgment of your President, based upon personal investigation and thoughtful consideration, that it is advisable to adhere to our long established policy of doing business with carefully selected banks of the various countries, rather than institute foreign branches of our own.

During May of last year the New York Clearing House Association materially lessened the rates of interest that Associated Banks could pay on deposit accounts. In the face of low rates for funds this was unquestionably sound banking and would have caused little inconvenience or hardship had the other principal money centers done likewise. Unhappily they did not and in consequence large dormant deposits have gone to other centers attracted by a higher rate. We estimate the deposits of this institution to have suffered about Ten Million Dollars from the change. Notwithstanding this our total deposits stand at \$132,634,912.88, showing an increase of more than Nine and a Half Millions for the year.

The growth of branch banking in New York City has been very pronounced during the past year and this question has been receiving study and serious consideration by your Officers and Board of Directors. The trend of bank development in New York City is to large units with branches and your Officers and Directors are not unmindful of the opportunities and responsibilities in connection with this important subject.

After charging to earnings account all expenses and



extra compensation to employees, and after charging off all known losses and setting up proper tax and other reserves, we have made disposition of the balance of earnings as follows:

24% dividend to shareholders. . . . . \$1,080,000

Added to Undivided Profits Account     365,597

Added to Special Reserve. . . . . 250,000

There are at present 26 officers, 439 employees and 1,320 shareholders.

Your Institution is now entering upon the final year of a Century of Banking. The same conservative measures, the adoption of which in the past has accounted for those traditions of which we are justly proud, will control our policy of the future. To our customers we will extend that co-operation which is consistent with safety to our depositors and with the interests of our shareholders.

We are fully cognizant of the support and co-operation of our shareholders and depositors, and we take this opportunity of tendering our sincere appreciation of their continued loyalty and helpfulness.

Respectfully submitted,

PERCY H. JOHNSTON,

*President.*



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